

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Tyrone Township	County Livingston
Fiscal Year End 3/31/2007	Opinion Date July 23, 2007	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

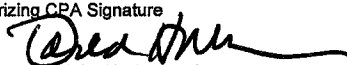
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No other reports issued.	
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number (810) 767-7650	
Street Address 111 East Court Street, Suite 1A		City Flint	State MI
Zip 48502			
Authorizing CPA Signature 	Printed Name Tadd A. Harburn, CPA		License Number 1101014134

**Tyrone Township
Livingston County, Michigan**

**Financial Report
With Supplemental Information**

March 31, 2007

**Financial Report
Tyrone Township
Livingston County, Michigan
March 31, 2007**

List of Elected Officials

Supervisor	Andrew Schmidt
Clerk	Hod Morton
Treasurer	David Kurtz
Trustee	Steven Nagy
Trustee	Lynn Thompson
Trustee	Robert Byerly
Trustee	Brian Miles

**Tyrone Township
Financial Report
Year Ended March 31, 2007**

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Independent Auditor's Report

The Honorable Members
of the Township Board of
Tyrone Township
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tyrone Township, Michigan (Township) as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tyrone Township as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the General Fund budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

July 23, 2007

Management's Discussion and Analysis

Tyrone Township Management's Discussion and Analysis

This section of Tyrone Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on March 31, 2007. Please read it in conjunction with the Township's financial statements, which follow this section.

Financial Highlights

- The Township's Total Net Assets are \$15,358,037.
- During the year, the Township's total net assets increased \$658,373. Governmental activities realized a \$139,965 decrease in net assets. Business activities realized an increase of \$798,339 in net assets.
- General fund revenues exceeded expenditures by \$5,158, leaving a fund balance of \$502,976.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Table 1 (below) summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Table 1 – Summary Condensed Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue						
Program revenue:						
Charges for services	\$ 279,540	\$ 474,091	\$ 243,919	\$ 193,281	\$ 523,459	\$ 667,372
Capital grants and contributions	-	-	990,305	571,838	990,305	571,838
General revenue:						
Property taxes	393,901	380,945	-	-	393,901	380,945
State-shared revenue	580,794	580,651	-	-	580,794	580,651
Franchise fees	69,294	63,941	-	-	69,294	63,941
Interest	48,761	32,884	349,611	97,678	398,372	130,562
Gain on sale of capital asset	-	40,853	-	-	-	40,853
Transfers	- 25,557	-	(25,557)	-	-	-
Total revenue	1,372,290	1,598,922	1,583,835	837,240	2,956,125	2,436,162

Table 1 – Summary Condensed Changes in Net Assets (Continued)

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program Expenses						
General government	818,753	584,258	-	-	818,753	584,258
Public safety	599,238	720,126	-	-	599,238	720,126
Public works	82,582	38,511	-	-	82,582	38,511
Highways and street	-	297,616	-	-	-	297,616
Health and welfare	5,300	6,700	-	-	5,300	6,700
Interest on long term debt	6,382	-	-	-	6,382	-
Sewer	-	-	785,496	785,496	955,305	
Total program expenses	1,512,255	1,647,211	785,496	955,305	2,297,751	2,602,516
Change in Net Assets	(139,965)	(48,289)	798,339	(118,065)	658,374	(166,354)
Net assets - Beginning of year	1,380,622	1,428,911	13,319,041	13,437,106	14,699,663	14,866,017
Net assets - End of year	<u>\$1,240,657</u>	<u>\$ 1,380,622</u>	<u>\$14,117,380</u>	<u>\$13,319,041</u>	<u>\$15,358,037</u>	<u>\$14,699,663</u>

Table 2 - Tyrone Township's Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$1,647,623	\$1,800,526	\$12,230,614	\$12,310,016	\$13,878,237	\$14,110,542
Capital assets	190,790	214,954	17,047,006	16,846,787	17,237,796	17,061,741
Total assets	1,838,413	2,015,480	29,277,620	29,156,803	31,116,033	31,172,283
Long-term liabilities outstanding	404,000	451,276	15,060,000	15,765,000	15,464,000	16,216,276
Other liabilities	193,756	183,582	72,762	293,996	256,344	
Total liabilities	597,756	634,858	15,160,240	15,837,762	15,757,996	16,472,620
Net assets:						
Invested in capital assets, net of related debt	190,790	214,954	2,290,838	1,917,378	2,481,628	2,132,332
Restricted	363,178	401,418	11,673,874	11,324,981	12,037,052	11,726,399
Unrestricted	686,689	764,250	152,668	76,682	839,357	840,932
Total net assets	<u>\$1,240,657</u>	<u>\$1,380,622</u>	<u>\$14,117,380</u>	<u>\$13,319,041</u>	<u>\$15,358,037</u>	<u>\$14,699,663</u>

The governmental net assets decreased 10.1 percent from a year ago – decreasing from \$1,380,622 to \$1,240,657. In contrast, last year's net assets decreased by 3.4 percent.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – decreased by \$77,561 for the governmental activities. This represents an decrease of approximately 10 percent. The current level of unrestricted net assets for our governmental activities stands at \$686,689 or about 45.4 percent of expenditures.

The Township's total governmental revenues decreased by \$226,632. The decrease, which represents 14.2 percent, primarily due to a decrease in charges for service and a one-time gain on sale of property in 2006.

Expenses decreased by \$134,956 during the year. The decrease is a result of decreased paving projects (highways and streets).

The Township's business-type activities consist of the Sewer Fund.

The net assets of business-type activities increased 6 percent from a year ago – increasing from \$13,319,041 to \$14,117,380.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations – increased by \$75,986. This represents an increase of approximately 100 percent. The current level of unrestricted net assets for the business type activities stands at \$152,668.

Budgetary Highlights

The General Fund expenditure budget was amended during the year. The major change was a reclassification of expenses from the fire authority to the Township Board, resulting in the same anticipated increase in fund balance.

The amended budget anticipated an overall increase in fund balance of \$1,715. Actual results were an increase in fund balance of \$5,158.

Capital Asset and Debt Administration

At the end of 2007, the Township had \$17,237,796 invested in a broad range of capital assets, including buildings, equipment, and sewer lines.

Economic Factors and Next Year's Budgets and Rates

The downward trend of Michigan's economy continues to require the state to reduce state shared revenue allocations to local governments. This causes local governments to look to other local revenue sources to finance operations. A positive situation for the Township is the growth in the tax base as the Township has become a desired area where new residential housing is occurring.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township, 10408 Center Road, Fenton, Michigan 48430-9439.

Basic Financial Statements

Government-wide Financial Statements

Tyrone Township
Statement of Net Assets
March 31, 2007

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and equivalents	\$ 1,283,871	\$ 166,300	\$ 1,450,171
Receivables	343,605	9,381,304	9,724,909
Prepays	549	-	549
Internal balances	19,598	(19,598)	-
Cash and equivalents-restricted	-	1,773,213	1,773,213
Cash held with agent- restricted	-	929,395	929,395
Capital assets - not subject to depreciation	7,500	-	7,500
Capital assets - subject to depreciation	183,290	17,047,006	17,230,296
Total assets	1,838,413	29,277,620	31,116,033
Liabilities			
Accounts payable	101,756	35,808	137,564
Due to other governments	-	150	150
Deposits	-	64,282	64,282
Noncurrent liabilities:			
Due within one year	92,000	700,000	792,000
Due in more than one year	404,000	14,360,000	14,764,000
Total liabilities	597,756	15,160,240	15,757,996
Net Assets			
Invested in capital assets, net of related debt	190,790	2,290,838	2,481,628
Restricted for:			
Capital projects	-	929,395	929,395
Debt service	323,735	10,744,479	11,068,214
Streets and right of way	13,222	-	13,222
Other purposes	26,221	-	26,221
Unrestricted	686,689	152,668	839,357
Total net assets	\$1,240,657	\$ 14,117,380	\$ 15,358,037

The notes are an integral part of the financial statements.

**Tyrone Township
Statement of Activities
Year Ended March 31, 2007**

Functions\Programs	Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 818,753	\$ 243,497	\$ -
Public safety	599,238	3,850	-
Public works	82,582	32,193	-
Health and welfare - Seniors	5,300	-	-
Interest on long term debt	6,382	-	-
Total governmental activities	1,512,255	279,540	-
Business-type activities:			
Sewer	785,496	243,919	990,305
Total business-type activities	785,496	243,919	990,305
Total primary government	\$ 2,297,751	\$ 523,459	\$ 990,305
General revenues:			
Property taxes			
State shared revenues			
Franchise fees			
Unrestricted investment earnings			
Total general revenues			
Change in net assets			
Net assets - Beginning of year			
Net assets - Ending of year			

The notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

Governmental Activities	Business-type Activities	Total
\$ (575,256)	\$ -	\$ (575,256)
(595,388)	-	(595,388)
(50,389)	-	(50,389)
(5,300)	-	(5,300)
(6,382)	-	(6,382)
(1,232,715)	-	(1,232,715)
-	448,728	448,728
-	448,728	448,728
(1,232,715)	448,728	(783,987)
393,901	-	393,901
580,794	-	580,794
69,294	-	69,294
48,761	349,611	398,372
1,092,750	349,611	1,442,361
(139,965)	798,339	658,374
1,380,622	13,319,041	14,699,663
\$ 1,240,657	\$ 14,117,380	\$ 15,358,037

Fund Financial Statements

**Tyrone Township
Balance Sheet
Governmental Funds
March 31, 2007**

	General Fund	Nonmajor Governmental Funds	Total
Assets			
Cash and investments	\$ 534,788	\$ 749,083	\$ 1,283,871
Receivable:			
Property taxes	43,098	-	43,098
Special assessments	-	148,213	148,213
Due from other funds	19,800	175,447	195,247
Due from other governments	99,052	53,654	152,706
Prepaid items	549	-	549
Total assets	\$ 697,287	\$ 1,126,397	\$ 1,823,684
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 93,900	\$ 7,856	\$ 101,756
Due to other funds	100,000	75,649	175,649
Deferred revenue	411	148,213	148,624
Total liabilities	194,311	231,718	426,029
Fund Balances			
Reserved for:			
Prepaid items	549	-	549
Debt service	-	175,523	175,523
Other purposes	-	28,587	28,587
Unreserved reported in:			
General fund	502,427	-	502,427
Special revenue funds	-	690,569	690,569
Total fund balances	502,976	894,679	1,397,655
Total liabilities and and fund balances	\$ 697,287	\$ 1,126,397	\$ 1,823,684

The notes are an integral part of the financial statements.

**Tyrone Township
Reconciliation of the Balance Sheet
to the Statement of Net Assets
Year Ended March 31, 2007**

Fund balances reported in the Governmental Funds	\$ 1,397,655
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	190,790
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	148,213
Bonds and notes payable are not due and payable in the current period and are not reported in the funds	<u>(496,000)</u>
Net Assets of Governmental Activities	<u><u>\$ 1,240,658</u></u>

The notes are an integral part of the financial statements.

Tyrone Township
Statement of Revenue, Expenditures,
and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2007

	General	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 393,901	\$ -	\$ 393,901
Special assessments	-	96,417	96,417
State - shared revenues	580,794	-	580,794
Licenses and permits	83,743	-	83,743
Fees	128,968	-	128,968
Charges for services	90,481	2,454	92,935
Interest	22,643	26,118	48,761
Other	11,345	-	11,345
Total revenue	1,311,875	124,989	1,436,864
Expenditures			
Current:			
General government	793,999	590	794,589
Public safety	401,784	2,454	404,238
Public works	8,358	19,577	27,935
Health and welfare - Seniors	5,300	-	5,300
Highways and streets	-	54,647	54,647
Debt service	97,276	59,382	156,658
Total expenditures	1,306,717	136,650	1,443,367
Excess (deficiency) of revenue over expenditures	5,158	(11,661)	(6,503)
Fund balances - Beginning of year	497,818	906,340	1,404,158
Fund balances - End of year	\$ 502,976	\$ 894,679	\$ 1,397,655

The notes are an integral part of the financial statements.

Tyrone Township
Reconciliation of the Statement of Revenue,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended March 31, 2007

Net Change in fund balances - total governmental funds	\$	(6,503)
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures; however in the
statement of activities these costs are allocated over their estimated
useful lives as depreciation expense:

Capital outlay		9,100
Depreciation expense		(33,264)

Revenues are recorded in the statement of activities when earned: they are not recorded in the funds until collected or collectible within 60 days of year end		(64,574)
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Notes provide financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net assets		(195,000)
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Repayment of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		150,276
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Change in net assets of governmental activities	\$	(139,965)
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The notes are an integral part of the financial statements.

**Tyrone Township
Statement of Net Assets
Proprietary Fund
March 31, 2007**

	<u>Enterprise Fund Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 166,300
Accounts receivable	50,672
Special assessment receivable	574,691
Due from other governments	492,281
	<hr/>
Total current assets	1,283,944
	<hr/>
Noncurrent assets:	
Restricted cash	1,773,213
Cash held with agent - restricted	929,395
Special assessment receivable	8,263,660
Capital assets	17,047,006
	<hr/>
Total noncurrent assets	28,013,274
	<hr/>
Total assets	29,297,218
	<hr/>
Liabilities	
Current liabilities:	
Accounts payable	35,808
Due to other governmental units	150
Due to other funds	19,598
Deposits	64,282
Current portion of long-term debt	700,000
	<hr/>
Total current liabilities	819,838
	<hr/>
Noncurrent liabilities:	
Long-term debt - Net of current portion	14,360,000
	<hr/>
Total liabilities	15,179,838
	<hr/>
Net Assets	
Invested in capital assets - Net of related debt	2,290,838
Restricted for:	
Capital projects	929,395
Debt service	10,744,479
Unrestricted	152,668
	<hr/>
Total net assets	\$ 14,117,380
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The notes are an integral part of the financial statements.

Tyrone Township
Statement of Revenue, Expenses, and Changes in Net Assets
Proprietary Fund
Year Ended March 31, 2007

	<u>Enterprise Fund</u> <u>Sewer Fund</u>
Operating revenue	
Charges for services	\$ 239,984
Interest and penalty charges	3,791
Other miscellaneous revenue	<u>144</u>
Total operating revenue	<u>243,919</u>
Operating expenses	
Cost of sewer operations and maintenance	168,518
Depreciation	<u>308,511</u>
Total operating expenses	<u>477,029</u>
Operating loss	(233,110)
Nonoperating revenue (expenses)	
Investment income	349,611
Bond issuance cost	(6,735)
Interest expense and fiscal charges	<u>(301,732)</u>
Loss before contributions	<u>(191,966)</u>
Capital contributions	
Special assessments	<u>990,305</u>
Change in net assets	798,339
Net Assets - Beginning of year	<u>13,319,041</u>
Net Assets - End of year	<u><u>\$ 14,117,380</u></u>

The notes are an integral part of the financial statements.

**Tyrone Township
Statement of Cash Flows
Proprietary Fund
Year Ended March 31, 2007**

	Enterprise Fund Sewer Fund
Cash flows from operating activities	
Cash receipts from customers	\$ 237,184
Cash payments to suppliers	(166,075)
Net cash provided by operating activities	71,109
Cash flows from noncapital financing activities	
Repayments of loans from other funds	(30,000)
Cash flows from capital and related financing activities	
Special assessments collections	1,324,784
Purchase of capital asset	(981,885)
Bond cost	(6,735)
Principal payments on capital debt	(705,000)
Interest paid on capital debt	(301,732)
Net cash used in capital and related financing activities	(670,568)
Cash flows from investing activities	
Interest earned	349,611
Net decrease in cash	(279,848)
Cash and cash equivalents - beginning of year	3,148,756
Cash and cash equivalents - end of year	\$ 2,868,908
Balance sheet classification of Cash and Cash Equivalents	
Cash and cash equivalents	\$ 166,300
Restricted cash	1,773,213
Cash held with agent - restricted	929,395
Total cash and cash equivalents	\$ 2,868,908
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (233,110)
Adjustments to reconcile operating loss to net cash provided by operating activities -	
Depreciation and amortization	308,511
Changes in operating assets and liabilities:	
Accounts receivable	(19,874)
Due from other governments	(11,896)
Accounts payable	35,808
Due to other governments	(33,365)
Deposits	25,035
Net cash provided by operating activities	\$ 71,109

The notes are an integral part of the financial statements.

**Tyrone Township
Statement of Assets and Liabilities
Fiduciary Funds
March 31, 2007**

	<u>Agency Funds</u>
Assets	
Cash and investments	<u>\$ 160,993</u>
Liabilities	
Account payable	\$ 8,642
Due to other governmental units	98,043
Due to individuals	3,150
Performance deposits	<u>51,158</u>
Total liabilities	<u>\$ 160,993</u>

The notes are an integral part of the financial statements.

Notes to Basic Financial Statements

Tyrone Township
Notes to Financial Statements
March 31, 2007

I. Summary of significant accounting policies

The accounting policies of Tyrone Township (the “Township”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Tyrone Township.

A. Reporting entity:

The Township of Tyrone is located in Livingston County and operates under an elected form of government. The Township provides the following services as authorized by general law: public safety (police and fire), highways and streets, sanitation, public improvements, planning, general administrative services, and sewer. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. The Township has no component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be *available* if it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a “deferred revenue” liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

The General fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

The Sewer Disposal System Fund accounts for the operations of the sewage pumping and collection systems.

Additionally, the government reports the following fund type:

Agency Funds account for assets held by the Township as an agent for individuals, private organizations and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program *revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish *operating* revenue and expenses from *non-operating* items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Sewer Enterprise fund is charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Property tax revenue

The Township levies property taxes on December 1 each year. These taxes become liens on the property at that date. Township taxes are collected without penalty from December 1 to February 28 each year.

The Township's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended March 31, 2007, when proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled \$429 million on which taxes levied consisted of .9067 mills for operating purposes. This resulted in approximately \$385,000 for operating purposes recognized in the General Fund.

E. Assets, liabilities, and net assets or equity

1. Bank deposits and investments

The Township's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Township are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

2. Restricted cash and cash equivalents

The Township's Sewer Enterprise Fund has cash in the amount of \$1,773,213 that is restricted for debt service. The balance represents special assessments that have been collected and will be used to pay off the sewer bonds. The Sewer Fund has unspent bond proceeds, investment earnings and prepayments of \$929,395 on deposit with the Livingston County Water and Waste Services Division for the construction of sewer line improvements. The Division will hold these funds on behalf of the Township and expend the proceeds for allowable construction costs.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

I. Summary of significant accounting policies – (continued)

E. Assets, liabilities, and net assets or equity – (continued)

3. Receivables and payables

In general, outstanding balances between funds are reported as “due to/from other funds”, activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles. No allowance has been established as management believes all receivable to be collectible.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$330,488 of interest expense was capitalized as part of the cost of assets under construction.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	39
Building improvement	15
Vehicles	5
Office equipment	5
Furniture and fixtures	7
Sewer distribution system	39

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

I. Summary of significant accounting policies – (continued)

E. Assets, liabilities, and net assets or equity – (continued)

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

II. Stewardship, compliance, and accountability

A. Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February 1, the supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General Fund.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. The amount of encumbrances at year end is not known. Also, all budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

II. Stewardship, compliance, and accountability – (continued)

A. Budgetary information – (continued)

6. Budget appropriations lapse at year-end except for approved contracts which are appropriated on a contract (grant) length basis.

Budgeted amounts are reported on the financial statements as originally adopted and as amended by the Township Board.

B. Budget Adoption

Budgets for all special revenue funds were not legally enacted by the Township Board. Adoption of budgets for all special revenue funds is required by Public Act 621 of the State of Michigan.

C. Excess of Expenditures Over Appropriations in General Fund

During the year, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund		
Township Board	\$ 243,860	\$ 247,010
Treasurer	86,700	87,488
Assessing	43,750	45,277
Ordinance Enforcement	-	64

III. Detailed notes on all funds

A. Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

III. Detailed notes on all funds – (continued)

A. Deposits and Investments – (continued)

The Township has designated four banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to various types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,888,447 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
MBIA CLASS-mutual fund	\$292,756	AAA-VI	Fitch
Citizens Bank-mutual fund	\$149,110	AAA	S&P

B. Receivables

Receivables as of year end for the Township's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 43,098	\$ -	\$ 43,098
Accounts	115,688	-	115,688
Special assessment	-	148,212	148,212
Intergovernmental	99,052	53,654	152,706
Gross receivables	257,838	201,866	459,704
Less: allowance for uncollectibles	(116,099)	-	(116,099)
Net total receivables	\$141,739	\$201,866	\$ 343,605

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

III. Detailed notes on all funds – (continued)

B. Receivables – (continued)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ -	\$ 411
Special assessments	-	148,212
Total deferred/unearned revenue for governmental funds	<u>\$ -</u>	<u>\$ 148,623</u>

Business type activities:

	<u>Sewer Fund</u>
Receivables:	
Accounts	\$ 50,672
Special assessments	8,838,351
Intergovernmental	<u>492,281</u>
Gross receivables	9,381,304
Less: allowance for uncollectibles	<u>-</u>
Net total receivables	<u>\$9,381,304</u>

C. Capital assets

Capital asset activity for the year ended March 31, 2007 was as follows:

Primary Government

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance March 31, 2007</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,500	\$ -	\$ -	\$ 7,500
Total capital assets, not being depreciated	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
Capital assets, being depreciated:				
Buildings	309,467	9,100	-	318,567
Land improvements	70,424	-	-	70,424
Machinery and equipment	154,688	-	-	154,688
Total capital assets being depreciated	<u>534,579</u>	<u>9,100</u>	<u>-</u>	<u>543,679</u>
Less accumulated depreciation for:				
Buildings	160,638	9,070	-	169,708
Land improvements	47,631	4,419	-	52,050
Machinery and equipment	118,856	19,775	-	138,631
Total accumulated depreciation	<u>327,125</u>	<u>33,264</u>	<u>-</u>	<u>360,389</u>
Total capital assets, being depreciated, net	<u>207,454</u>	<u>(24,164)</u>	<u>-</u>	<u>183,290</u>
Governmental activities capital assets, net	<u>\$214,954</u>	<u>\$ (24,164)</u>	<u>\$ -</u>	<u>\$190,790</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

III. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

Primary Government – (continued)

	Balance <u>April 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Reclassification</u>	Balance <u>March 31, 2007</u>
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	\$ 7,811,675	\$ -	\$ -	\$(7,811,675)	\$ -
Total capital assets, not being depreciated	7,811,675	-	-	\$(7,811,675)	-
Capital assets, being depreciated:					
Sewer system	10,157,322	981,885	-	7,811,675	18,950,882
Machinery and equipment	336,500	-	-	-	336,500
Total capital assets, being depreciated	10,493,822	981,885	-	7,811,675	19,287,382
Less accumulated depreciation for:					
Sewer system	1,787,651	260,440	-	-	2,048,091
Machinery and equipment	144,214	48,071	-	-	192,285
Total accumulated depreciation	1,931,865	308,511	-	-	2,240,376
Total capital assets, being depreciated, net	8,561,957	673,374	-	7,811,675	17,047,006
Business-type activities capital assets, net	<u>\$16,373,632</u>	<u>\$ 673,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$17,047,006</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

 General government \$ 33,264

Business-type activities:

 Sewer \$308,511

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of March 31, 2007 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Jayne Hill 1 & 2 fund	\$ 101
	Jayne Hill 4 fund	101
	Sewer fund	19,598
Road improvement fund	Silver Lake Estates Road Improvement fund	75,447
Township improvement revolving fund	General fund	<u>100,000</u>
		<u>\$195,247</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

III. Detailed notes on all funds – (continued)

D. Interfund receivables, payables, and transfers – (continued)

No transfers between funds were made.

E. Long-term debt

The government issues bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Contractual agreements are general obligations of the government.

A summary of the composition of the March 31, 2007, long-term debt balance follows:

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Balance at March 31, 2006</u>	<u>Issuances (Retirements) During Year</u>	<u>Balance at March 31, 2007</u>	<u>Due Within One Year</u>
Governmental Activities:						
Hartland Deerfield Tyrone Fire Authority Contract	April 1, 2006	0%	\$ 97,276	\$ (97,276)	\$ -	\$ -
Tyrone Fire Authority Contract	January 15, 2012	0%	-	195,000	195,000	39,000
Jayne Hill No. 1 & 2 Road Improvement Project Special Assessment Bonds	April 1, 2015	3.7	178,000	(17,800)	160,200	17,800
Jayne Hill No. 4 Road Improvement Special Assessment bonds	April 1, 2010	3.47	176,000	(35,200)	140,800	35,200
Total governmental activities			<u>\$451,276</u>	<u>\$ 44,724</u>	<u>\$496,000</u>	<u>\$ 92,000</u>
Business-type Activities:						
Sewer Bonds Livingston County Sanitary Sewer Improvement Bonds Series 2003	May 1, 2023	3.0-5.0%	\$ 7,125,000	\$(315,000)	\$ 6,810,000	\$325,000
Livingston County Sanitary Sewer Improvement Bonds Series 2005	May 1, 2028	3.375-4.25%	8,640,000	(390,000)	8,250,000	375,000
Total business-type activities			<u>\$15,765,000</u>	<u>\$(705,000)</u>	<u>\$15,060,000</u>	<u>\$700,000</u>

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

III. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

Annual debt service requirements to maturity for the above obligations are as follows:

Year End March 31,	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 92,000	\$ 10,993	\$ 700,000	\$ 602,172
2009	92,000	9,082	710,000	579,197
2010	92,000	7,171	720,000	555,059
2011	92,000	5,260	725,000	530,006
2012	56,800	3,349	735,000	503,952
2013-2017	71,200	6,699	3,765,000	2,087,929
2018-2022	-	-	4,080,000	1,270,278
2023-2027	-	-	2,875,000	408,359
2028-2032	-	-	750,000	31,875
Total	\$496,000	\$ 42,554	\$15,060,000	\$6,568,827

Hartland, Deerfield, Tyrone Fire Authority:

In 2003, the Township entered into an agreement to create the Hartland Deerfield Tyrone Fire Authority. According to the Authority's Articles of Incorporation, the Township was required to pay its share of the costs of fire department equipment the Authority received from Harland Township. The allocation totaled \$291,828 and was payable in three annual installments of \$97,276. The final payment on the agreement was made in 2007.

Tyrone Township Jayne Hill Farms Subdivision 1 & 2 Road Improvement Special Assessment Bonds

Tyrone Township issued \$178,000 in Special Assessment Bonds. The Jayne Hill Farms Subdivision 1 & 2 Road Improvement Special Assessment Bonds were issued pursuant to Act 188, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated August 30, 2005 with interest payable April 1, beginning on April 1, 2006. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Tyrone Township Jayne Hill Farms Subdivision No. 4 Road Improvement Special Assessment Bonds

Tyrone Township issued \$176,000 in Special Assessment Bonds. The Livingston County Jayne Hill Farms Subdivision No. 4 Road Improvement Special Assessment Bonds were issued pursuant to Act 188, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated August 30, 2005 with interest payable April 1, beginning in April 2006. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Tyrone Township Fire Authority Contract

During the fiscal year, the Township entered into a settlement agreement contract because they opted out of the joint venture Hartland Deerfield Tyrone Fire Authority. The settlement requires five annual payments of \$39,000 each, commencing on January 15, 2008.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

III. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

Tyrone Township Sewer Bonds - Series 2003

Tyrone Township, through Livingston County, issued \$7,725,000 in Sanitary Sewer Improvement Bonds. The Livingston County Sanitary Sewer Improvement Bonds Series 2003 (Tyrone Township Sewer Bonds) were issued pursuant to Act 185 and 342, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated August 27, 2003 with interest payable November 1 and May 1, beginning on November 1, 2003. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Tyrone Township Sewer Bonds - Series 2005

Tyrone Township, through Livingston County, issued \$8,640,000 in Sanitary Sewer Improvement Bonds. The Livingston County Sanitary Sewer Improvement Bonds Series 2005 (Tyrone Township Sewer Bonds) were issued pursuant to Act 185 and 342, Michigan Public Acts of 1954, as amended. They are primarily payable from collections of special assessments levied against the benefited properties in the District. The bonds are dated June 22, 2005 with interest payable November 1 and May 1, beginning on May 1, 2006. The Township's limited tax full faith and credit are pledged for the payment of the bonds if the special assessments are not adequate.

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of municipalities cannot exceed 10% of the assessed real and personal property in the Township. As of March 31, 2007, the Tyrone Township had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempted from consideration in the 10% limit computation.

IV. Other information

A. Pension

The Township has a qualified, contributory pension plan covering all elected officials established by Township Ordinance No. 31. The plan is administered by John Hancock. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan generally requires contributions of 10% of covered wages of participating employees. The employer contributes 75% and the employees contribute 25% of the required contribution. Benefits attributable to the employer contributions shall vest 100% upon the participants death, disability, normal retirement or upon the termination of the plan. Employee contributions are immediately 100% vested.

The Township's total payroll for the year ended March 31, 2007 was \$342,484. Contributions were based on the covered payroll (base salary) of \$71,961 during the plan period, which is April 1, 2006 through March 31, 2007. The Township and the covered employees made the required contributions of \$7,910 and \$2,183.

Tyrone Township
Notes to Basic Financial Statements
March 31, 2007

V. Risk management and contingent liabilities

The Township is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries. The Township has purchased commercial insurance for these claims except. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VI. Building department revenues and expenses

The State Construction Code Act Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, requires that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operations of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund. The rules allowed for monitoring these funds in a separate activity center within the General fund if the expenditures would normally exceed the revenues. The Township chose the latter. The activity related to construction code activities for the year ended March 31, 2007 is as follows:

Shortfall at April 1, 2006	\$(168,827)
Construction permit revenue	11,470
Building department expenditures	<u>(36,640)</u>
Cumulative shortfall at March 31, 2007	<u><u>\$(193,997)</u></u>

Required Supplemental Information

Tyrone Township
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Amended	Amounts	Amended Budget
Revenue				
Property taxes	\$ 383,461	\$ 383,461	\$ 393,901	\$ 10,440
State - shared revenues	525,000	525,000	580,794	55,794
Licenses and permits	69,550	69,550	83,743	14,193
Fees	111,400	111,400	128,968	17,568
Charges for services	60,600	60,600	90,481	29,881
Interest	5,000	5,000	22,643	17,643
Other	2,800	2,800	11,345	8,545
Total revenue	1,157,811	1,157,811	1,311,875	154,064
Expenditures				
Current:				
General government:				
Township board	177,860	243,860	247,010	(3,150)
Supervisor	24,200	25,200	24,025	1,175
Clerk	85,100	86,600	83,675	2,925
Board of review	700	1,200	908	292
Treasurer	83,200	86,700	87,488	(788)
Assessing	42,750	43,750	45,277	(1,527)
Elections	51,460	51,460	48,528	2,932
Building and grounds	45,475	45,475	43,359	2,116
Cemeteries	11,350	8,850	3,456	5,394
Zoning administrator	36,940	40,940	38,640	2,300
Planning commission	79,200	79,200	67,905	11,295
Zoning board of appeals	8,480	8,480	4,926	3,554
Economic development	500	500	500	-
Other	22,250	19,250	15,630	3,620
Insurance, bonds and fringes	83,400	85,400	82,672	2,728
Public safety:				
Police	140,000	140,000	136,382	3,618
Fire	752,724	682,224	265,338	416,886
Ordinance Enforcement	-	-	64	(64)
Public works	22,495	18,995	8,358	10,637
Health and welfare :				
Seniors	6,700	6,700	5,300	1,400
Debt service	97,276	97,276	97,276	-
Total expenditures	1,772,060	1,772,060	1,306,717	465,343
Excess (deficiency) of revenue over expenditures	(614,249)	(614,249)	5,158	619,407

Tyrone Township
Budgetary Comparison Schedule
General Fund
Year Ended March 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Amended Budget
	Original	Amended		
Other financing sources				
Bond proceeds	400,000	400,000	-	(400,000)
Transfers in	216,000	216,000	-	(216,000)
Total other financing sources	616,000	616,000	-	(616,000)
Net change in fund balances	1,751	1,751	5,158	3,407
Fund balances - Beginning of year	497,818	497,818	497,818	-
Fund balances - End of year	\$ 499,569	\$ 499,569	\$ 502,976	\$ 3,407

Other Supplemental Information

**Tyrone Township
Nonmajor Governmental Funds
Summary Descriptions
March 31, 2007**

Special Revenue Funds

Liquor Law Enforcement - to account for funds received by the Township for liquor law enforcement.

Road Improvement - to account for funds transferred from the Township's General Fund for road improvement projects.

Building and Site - to account for funds transferred from the Township General Fund for various building and site improvements.

Improvement Revolving - to account for funds transferred from the Township's General Fund for various capital improvement projects.

Jane Hill 1 & 2 Road Improvement - to account for the collection of special assessments levied on affected properties for road improvements.

Jane Hill 4 Road Improvement - to account for the collection of special assessments levied on affected properties for road improvements.

Parkwood/Driftwood Maintenance- to account for the collection of special assessments levied on affected properties for road improvements.

Jayne Hill Lighting - to account for the collection of special assessments levied on affected properties for lighting improvements.

Walnut Drive Lighting - to account for the collection of special assessments levied on affected properties for lighting improvements.

Jayne Hill Waste Removal - to account for the collection of special assessments for waste disposal.

Silver Lakes Estate Road - to account for the collection of special assessments levied on affected properties for road paving improvements.

**Tyrone Township
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2007**

	Special Revenue Funds				
	Liquor Law Enforcement	Road Improvement	Building and Site	Township Improvement Revolving Fund	Jayne Hill 1 & 2 Road Improvement
Assets					
Cash and investments	\$ 2,454	\$ 280,357	\$ 14,121	\$ 173,115	\$ 86,321
Receivable:					
Special assessments	-	-	-	-	84,655
Due from other funds	-	75,447	-	100,000	-
Due from other governments	-	-	-	50,000	1,127
Total assets	<u>\$ 2,454</u>	<u>\$ 355,804</u>	<u>\$ 14,121</u>	<u>\$ 323,115</u>	<u>\$ 172,103</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	2,454	2,471	-	-	-
Due to other funds	-	-	-	-	101
Deferred revenue	-	-	-	-	84,655
Total liabilities	<u>2,454</u>	<u>2,471</u>	<u>-</u>	<u>-</u>	<u>84,756</u>
Fund Balances					
Reserved for:					
Debt service	-	-	-	-	87,347
Other purposes	-	-	-	-	-
Unreserved	-	353,333	14,121	323,115	-
Total fund balances	<u>-</u>	<u>353,333</u>	<u>14,121</u>	<u>323,115</u>	<u>87,347</u>
Total liabilities and fund balances	<u>\$ 2,454</u>	<u>\$ 355,804</u>	<u>\$ 14,121</u>	<u>\$ 323,115</u>	<u>\$ 172,103</u>

Special Revenue Funds							Total
Jayne Hill 4 Road Improvement	Parkwood/ Driftwood Maintenance	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Jayne Hill Waste Removal	Silver Lake Estates Road Paving		Nonmajor Governmental Funds
\$ 88,277	\$ 4,228	\$ 1,505	\$ 142	\$ 21,684	\$ 76,879	\$	749,083
63,558	-	-	-	-	-		148,213
-	-	-	-	-	-		175,447
-	-	105	-	1,488	934		53,654
\$ 151,835	\$ 4,228	\$ 1,610	\$ 142	\$ 23,172	\$ 77,813	\$	1,126,397
-	-	101	10	2,820	-		7,856
101	-	-	-	-	75,447		75,649
63,558	-	-	-	-	-		148,213
63,659	-	101	10	2,820	75,447		231,718
88,176	-	-	-	-	-		175,523
-	4,228	1,509	132	20,352	2,366		28,587
-	-	-	-	-	-		690,569
88,176	4,228	1,509	132	20,352	2,366		894,679
\$ 151,835	\$ 4,228	\$ 1,610	\$ 142	\$ 23,172	\$ 77,813	\$	1,126,397

Tyrone Township
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended March 31, 2007

	Special Revenue Funds				
	Liquor Law Enforcement	Road Improvement	Building and Site	Township Improvement Revolving Fund	Jayne Hill 1 & 2 Road Improvement
Revenue					
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ 22,601
Charges for services	2,454	-	-	-	-
Interest	-	16,159	275	8,142	184
Total revenue	2,454	16,159	275	8,142	22,785
Expenditures					
General government	-	-	-	590	-
Public works	-	-	-	-	-
Public safety	2,454	-	-	-	-
Highways and streets	-	54,647	-	-	-
Debt service	-	-	-	-	21,111
Total expenditures	2,454	54,647	-	590	21,111
Excess (deficiency) of revenue over expenditures	-	(38,488)	275	7,552	1,674
Fund balances (deficit) - Beginning of year	-	391,821	13,846	315,563	85,673
Fund balances - End of year	\$ -0-	\$ 353,333	\$ 14,121	\$ 323,115	\$ 87,347

Special Revenue Funds							Total
Jayne Hill 4 Road Improvement	Parkwood/ Driftwood Maintenance	Jayne Hill Lighting Assessment	Walnut Drive Lighting Assessment	Jayne Hill Waste Removal	Silver Lake Estates Road Paving		Nonmajor Governmental Funds
\$ 30,952	\$ 500	\$ 1,092	\$ 110	\$ 19,999	\$ 21,163	\$	96,417
-	-	-	-	-	-		2,454
260	-	-	-	-	1,098		26,118
31,212	500	1,092	110	19,999	22,261		124,989
-	-	-	-	-	-		590
-	-	1,128	119	18,330	-		19,577
-	-	-	-	-	-		2,454
-	-	-	-	-	-		54,647
38,271	-	-	-	-	-		59,382
38,271	-	1,128	119	18,330	-		136,650
(7,059)	500	(36)	(9)	1,669	22,261		(11,661)
95,235	3,728	1,545	141	18,683	(19,895)		906,340
\$ 88,176	\$ 4,228	\$ 1,509	\$ 132	\$ 20,352	\$ 2,366	\$	894,679



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Report on Internal Control

July 23, 2007

To Members of the Board
Tyrone Township
Livingston County, Michigan

Dear Board Members:

Beginning with this year's audit, national auditing standards now call for auditors to communicate matters to the governing body that may be useful in its oversight of the Township's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards are to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this new **Report on Internal Control** will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues:

In planning and performing our audit of the financial statements of Tyrone Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote

likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

Accrual Adjustments

During the audit we generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records (property tax, utility billing, and ambulance billing, and other receivables, capital assets, long term debt, special assessment revenue recognition, etc.). We are pleased to assist in this process – our auditors have expertise in accrual adjustments, and can generally assist in a very cost-efficient manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated.

Bank Reconciliations

Currently, the bank reconciliation process works quite well – the Treasurer prepares a reconciliation between the Treasurer's records to the bank statement each month, and the accountant reviews this, compares it with the general ledger prepared by him and discusses any differences with the Treasurer. The bank reconciliations were completed timely; however, they were not consistently compared to the general ledger during the first half of the year due to turnover in the accounting department which could have resulted in material misstatements that would not being identified in a timely manner. We bring this to your attention because it meets the definition of a matter to be communicated. We recommend that a policy be established that requires someone to be designated as a back-up responsible for posting items to the general ledger and also comparing the bank reconciliation prepared by the Treasurer to the general ledger.

Receivable Subledgers

During the year outside agencies were utilized for utility and ambulance billings; however the receivable reports from the agencies were not obtained and reconciled with the general ledger. As noted in a previous comment regarding accrual adjustments, several adjustments were proposed to record the billings for utility and ambulance billings. The process of reconciling should be done periodically to identify any misstatements in a timely manner.

Other Items Noted During Our Audit

Budget Adoption

During the year budgets were not adopted for any special revenue fund. Per Budget Act 621, all special revenue funds should be budgeted for.

Capitalization Policy

The Township currently capitalizes fixed assets with a cost of \$1,000 or greater; however, the Board has not adopted the policy officially. We recommend that an official capitalization policy be adopted by the Board.

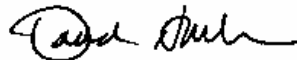
ACH Transfer Policy

Public Act 738 of 2002 requires that Township's adopt a policy for electronic payments. While currently, the only payment being made by the Township electronically is for the payment of payroll taxes, we recommend that a policy be established to be in compliance with the law.

This communication is intended solely for the information and use of management, the board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn", written over a horizontal line.

Tadd Harburn, CPA